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Report: Verizon 5G Home Service Too Expensive To Scale, Attracts Few Users

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Verizon launched its 5G Home broadband service in October 2018, and is readying its mobile 5G network now. Image Credit: Verizon

Verizon may have been the world's first major carrier to launch a commercial 5G network, but a new report suggests that its 5G Home service isn't practically scalable — its short-range 5G

"small cells" are expensive to install, reach too few customers, and might not be economically feasible for a nationwide rollout.

That's the harsh conclusion of research analysts at MoffettNathanson (via MultiChannel), whose "Peek Behind the Curtain of Verizon's 5G Rollout" report and followup conference call today questioned whether the carrier will be able to scale and make money on its fxed 5G network. The researchers focused on fndings in Sacramento, one of the frst 5G cities, roughly six months after Verizon launched 5G Home there.

According to the report, only 6 percent of homes in tested areas had access to Verizon's 5G, and under 3 percent of residences in those areas actually subscribed to the 5G service. Moreover, the report said that the millimeter wave-based "cell radii appear much smaller" than expected, which is to say that even more 5G "small cell" broadcasting units might be needed on towers than was previously thought.

"To us, the most interesting statistic isn't so much the low take rate as it is the relatively low coverage," the frm said, "as it illustrates the enormity of the challenge of scaling a small cell network, in neighborhood after neighborhood, across the United States."

There's no question that building a millimeter wave-based small cell network is challenging — in equal parts due to the cost of new 5G radio hardware and to zoning considerations. Sensing the potential for local and state approval delays, the FCC voted to cut regulatory red tape and limit local fees that could impede the installation of new 5G small cells. Even with federal support, however, carriers still have to get permission from hundreds of cities and towns. Verizon set up a mini-site to ask citizens to lobby local officials to speed up the necessary approvals.

Verizon has paused its 5G Home expansion well short of full coverage in its initial four cities, explaining at the end of January 2019 that standards-based 5G hardware wouldn't be ready until later this year. Two weeks later, a Sacramento TV station reported that Verizon had only installed 200 5G radios there, covering under 10 percent of the city, and suggested that a full rollout could take years.

MoffettNathanson suggests that Verizon's small cell installation costs in Sacramento — a mid-market city ranked 35th in size — are lower than they will be in bigger, denser cities such as New York. The analysts aren't convinced that Verizon will be able to reach 30 million customers who are already served by fber cable broadband, as the costs won't be matched or exceeded by "second player" service revenues.

Verizon's competitors have differed in their approaches to 5G home broadband service. T-Mobile and Sprint have touted a combined plan to launch 5G broadband services using devices that do not require millimeter wave small cells. AT&T has focused largely on mobile 5G but expects customers to use personal hotspots for some of their broadband needs.

We've reached out to Verizon for comment and will update this article if and when we hear back. The carrier previously said that it will commence mobile 5G service on April 11 in Chicago and Minneapolis, two cities not involved in the 5G Home rollout, with a 30-city mobile 5G deployment this year. Based on Verizon's prior statements, it's highly likely that the initial four 5G Home cities will be converted to combined mobile and home 5G service later this year under the "5G Ultra Wideband Network" name, as more standards-based 5G hardware becomes available.